

Oregon Enterprise Zones

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ORS 285C.055 (2007) sums up the purpose for enterprise zone legislation, first enacted by the Oregon Legislature in 1985, as follows:

“... [T]he health, safety and welfare of the people of this state are dependent upon the continued encouragement, development, growth and expansion of employment, business, industry and commerce throughout all regions of the state, but especially in those communities at the center of or outside of major metropolitan areas for which geography may act as an economic hindrance. The Legislative Assembly further declares that there are areas in the state that need particular attention of government to help attract private business investment into those areas and to help resident businesses to reinvest and grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life.”

Number and Size

Fifty-nine enterprise zones are currently designated: 48 being rural, 11 urban. The boundary of a zone may be noncontiguous, but it must not encompass more than 12 square miles (above the high water mark) and must conform to restrictions on distances within the zone. Each zone terminates after 10 years, at which time local governments may apply to the Business Development Department for new opportunities or for re-designation.

How it Works

In exchange for locating or expanding into an enterprise zone, eligible (generally non-retail) business firms receive total exemption from the property taxes normally assessed on new plant and equipment for at least three years (but up to five years) in the standard program. Longer-term tax incentives are available in certain zones. [<For more on tax incentives>](#)

Local Determination

Sponsored by local city/port/county governments or tribal governments, an enterprise zone typically serves as a focal point for local development efforts and incentives. One hundred eleven cities in 35 counties currently use enterprise zones to create better economic opportunities.

Role of State Agency

The Business Development Department is responsible for the designation and termination of enterprise zones and for changes to zone boundaries. In cooperation with the Department of Revenue and other state agencies, the Business Development Department also provides administrative rules, information materials, training, technical assistance and marketing support to local governments and county assessors for implementing business tax incentives, as well as active promotion with eligible firms.

Local Application and Designation

Cities, ports and counties across Oregon apply for designation of an enterprise zone. The statutes specify the following two threshold criteria for local economic hardship in order for a proposed zone to be designated: (1) Household median income is 80 percent or less of state median income, or (2) Unemployment rate is 2.0 percentage points or more above comparable state unemployment rate, based on the most recent annual figures

The Business Development Department can define or consider alternative but equally severe threshold criteria, one of which is location predominantly in a “[distressed area](#),” which are based on a sophisticated index of economic measures.

Note: Oregon also has areas of tax-increment financing (TIF) known as “[urban renewal](#)” districts.

Statutory Tax Incentives in an Oregon Enterprise Zone

—Standard (Three-to-Five-Year) Property Tax Exemption

Through an exemption from taxation on new property, an Oregon enterprise zone induces eligible businesses of all sizes to make additional investments that will improve employment opportunities, spur economic growth and diversify business activity. Qualifying new plant & equipment in a zone receives a total exemption for at least three and—in some cases—up to five consecutive years from the local assessment of *ad valorem* property taxes, which can otherwise have a deterring effect on private investors seeking to start or enlarge operations with a substantial capital outlay. Enterprise zone property (except hotel/resorts and utilities) also is exempt for up to two years while it is being constructed or installed. *

Business Firm Eligibility

Prior to commencing construction/installations, an eligible business firm submits an application for local “authorization.” Eligible firms include manufacturers, processors, shippers and other operations that serve other organizations, as well as headquarters and call centers. Also, hotels and resorts are eligible in some or all of 43 of the 59 zones. In the up to 10 specially designated “E-commerce” enterprise zones any electronic commerce operation is eligible and may receive a **special income tax credit**, too. Otherwise, retail, construction, financial and certain other activities are explicitly ineligible by statute.

Qualified Property

A new building/structure, structural modifications or additions, or newly installed machinery or equipment qualify for exemption, but not land, preexisting property value and minor personal property items.

Requirements

Basic, 3-year enterprise zone exemption (“as-of-right”)

- Increase full-time, permanent employment of the firm inside the enterprise zone by the greater of one new job or 10 percent (or special-case local sponsor waivers)
- Generally no concurrent job losses outside/beyond the zone boundary
- Maintain minimum employment levels during exemption period
- Enter into first-source agreement with local job training providers
- Satisfy local additional conditions, potentially imposed under an *urban* zone policy.

Extended Abatement, 4 or 5 years of exemption in total—same as 3-year, plus . . .

- “Compensation” of new workers at 150 percent of county average wage, †
- Local approval by written agreement with the local zone sponsor,
- Additional requirements that the local zone sponsor may reasonably request.

* Two other material benefits of the standard exemption program for authorized business firms:

(1) Local government incentives, such as fee waivers, reduced charges and administrative priority, and

(2) The right to acquire (state/local) publicly owned and available real estate for use in the zone.

† Other than in an urban enterprise zone within the Portland metro area.

—Long-Term Rural Enterprise Zone Tax Incentives

In certain rural enterprise zones—those inside a “county with chronically low income or chronic unemployment”—an entire qualified facility is fully exempt from property taxes during construction and then for 7 to 15 years. With the Governor’s approval, **corporate income tax credits** can supplement this property tax relief. Special criteria restrict these incentives to rather exceptional investments in terms of minimum investment cost and a minimum number of new hires, which depend on the facility’s location and the county’s size, in addition to requirements equivalent to those noted above for the 5-year exemption.